



An Independent Licensee of the Blue Cross and Blue Shield Association.

profile

March 31, 1998

At 10, Florida Combined Life reflects on the past, looks to the future

You probably know from the banners hanging in common areas of Blue Cross and Blue Shield of Florida (BCBSF) offices or from the stuffers tucked in with your paycheck that Florida Combined Life Insurance Company will celebrate its 10th anniversary on May 11.

What you may not know is the strategic role Florida's fifth-largest term life insurer plays in BCBSF's efforts to

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retain customers, expand the product line and improve the bottom line. Under the leadership of its president, Walter Liptak, FCL has capitalized on the cross-selling opportunities provided by its parent company and is mapping a future that broadens its reach.

"Florida Combined Life's gross margin after expenses has been nearly \$23 million over the last 10 years," says Bruce A. Davidson, senior vice president, Diversified Business.

Retention is a key element in offering BCBSF customers life products. "Renewal retention rates are considerably higher for customers with both group life and health coverages," says Steve Hyers, director, Marketing Support.

History

FCL grew out of the Florida Combined Life Insurance Agency, which BCBSF created in 1966 to address group customer desires for combined life and health benefits and billing. The agency contracted with American Bankers Life to offer core life insurance coverages. However, the cross-selling potential of operating its own life insurance company led BCBSF to create FCL in 1988.

FCL is licensed in five states, including Alabama, Florida, Georgia, North Carolina and South Carolina. It currently sells coverage only in Florida, targeting BCBSF customers who already have our health care coverage plan. When future opportunities present themselves, FCL intends to market in the other states, as well as provide services to Florida customers with operations in those states.

Products and services offered

The company initially offered employers products typically provided to employees as paid benefits—group term life, accidental death and dismemberment, supplemental life, dependent life, and short-term and long-term disability.

In 1992, FCL expanded its product line with pre-tax programs. These offer employees an opportunity to purchase benefits with pre-tax dollars, which are not subject to certain federal taxes. Other pre-tax programs include flexible spending accounts for both non-covered medical and dependent care expenses. Also available are 401k plans, which help in retirement planning.

In recent years, BCBSF has seen companies shift benefit costs to employees. Additionally, six out of 10 workers are not covered by an employer-sponsored life insurance plan. To tap the market potential, FCL introduced a full range of voluntary life and disability plans, as well as flexible benefit program options to the Florida market in 1995. These plans enable workers to buy the full range of coverage they want through payroll deduction.

Group term life and disability products continue to generate the majority of FCL's pre-tax operating profits. About 8 percent of total premiums come from the voluntary line of products, and the percentage continues to grow.

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Florida Combined Life At A Glance

Commenced operation: May 11, 1988

Currently employs: 100

Licensed: 5 states

Total assets: \$28.4 million

Insurance in force: \$8 billion

A.M. Best & Co. Rating: 'A' (Excellent)

Deerwood Campus Complex fully occupied

In line with the corporate strategy to enhance operating efficiency, the Senior Leadership Team (SLT) joined other employees at the Deerwood Campus Complex in February. The SLT move-in completes the corporate relocation to the new campus begun a year ago, consolidating approximately 2,000 employees into the three-building complex.

The corporate campus unites most of the areas supporting private business, which previously had been scattered among 15 buildings in Jacksonville.

The campus unites most areas supporting private business.



"We wanted to enhance organizational effectiveness by increasing productivity and communication," says Joe Grantham, senior vice president and chief information officer. "The Deerwood Campus Complex provides the setting to do that. Its open-floor design is conducive to interaction. Having the Senior Leadership Team here increases the team's visibility and communication."

A portion of Jacksonville employees remain in leased facilities. Strategic Facilities Planning continues to review future needs.



volume 47 number 3
March 31, 1998

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design and production
Swan Graphics, Inc.

profile is published by the
Public Relations/Corporate
Communications Division for
the employees of Blue Cross
and Blue Shield of Florida.

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Call (904) 905-3402.

Customer marks 40-year partnership

In 1958, a postage stamp cost four cents. Blue jeans sold for \$3.75. The football rivalry between Florida and Florida State was in its infancy. And the Lee County Mosquito Control District was formed to fight mosquito-borne diseases, like malaria and yellow fever, which flourished in Florida.

T. Wainwright Miller, the District's first director, chose Blue Cross and Blue Shield of Florida to provide health care plan coverage for employees, a partnership that has lasted 40 years.

"I'd been working for the state of Florida for two or three years and they were on Blue Cross," Miller says, "so it was just natural [to get coverage through BCBSF]."

The more important question, however, is why they've stayed loyal customers for 40 years. "We value this organization as a customer," says Don Van Dyke, vice president, Sales, Central GBU. "The fact that our relationship has endured this long is rare—even a bit remarkable—when you look at how much has changed during the past 40 years."

"Our employees love Blue Cross and Blue Shield of Florida," says Bill Opp, current District director. "They look at their health care plan as one of their most valuable benefits. They want a program they can depend on."

Employees say the issue comes down to choice, quality and service at affordable prices. The group initially had traditional indemnity coverage, but in 1991 the District switched to our Preferred Provider Care plan. They also buy our Florida Combined Life group life, disability and dental products

Here's what some employees had to say at a Customer Appreciation Day held for the group by BCBSF March 5:

Vivian Jones, comptroller: "We frequently receive proposals from other health care plans. We always consider all of the options. But we always come back to Blue Cross because they give us the best coverage for the least amount of premium."

Shelly Dew, bookkeeper: She likes the flexibility the PPC provides concerning in- and out-of-network doctors. But it's the personal treatment of employees in need that she finds most important—like the 27-year-old man who was dying of cancer or the woman who needed a wheelchair. "On a personal level, what Blue Cross has done with us has been very good. They work really hard to get people what they need."



Lee County Mosquito Control District protects the health of more than 300,000 people in the county and Florida's environment and waterways. With its help, diseases like malaria and yellow fever have virtually been eliminated in our state. Today, the District's employees test for encephalitis and keep the county's waterways weed-free. BCBSF's Don Van Dyke checks out one of the helicopters used for spraying.

Compass™ refresher training on deck

Is it okay to accept a gift from a vendor? Can I give out the company's 800 number to family and friends for personal calls? Since mid-1995, hundreds of Blue Cross and Blue Shield of Florida (BCBSF) employees have used the Compass Program™ to get help with business conduct questions like these.

The Compass Program is an invaluable employee tool. It charts a course of honesty, integrity and fairness in all business dealings—core values that reinforce our corporate vision and purpose. Compass is grounded on the notion that employees are the company and in the best position to protect it. The program is designed to:

- Educate us on the legal and ethical rules of accepted business practice;
- Raise our awareness of questionable conduct; and
- Provide us with ways to report suspected ethics violations.

Compass applies to all employees and our board of directors. New employees receive program information during in-processing.

This year BCBSF employees will receive refresher training on the program to assure that they understand

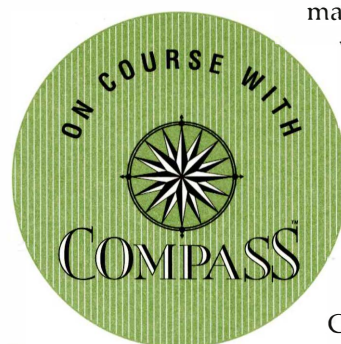
what Compass is, how it works and what resources are available should business conduct issues arise.

"In creating a new video and other communications materials for Compass, we incorporated what we have learned from employees' feedback since initiating the program," says Mary Wood Bridgman, vice president, Corporate Compliance. "We have included many of the commonly asked questions."

Additionally, the Compliance Office is developing a survey to gauge employee awareness, use and perception of the Compass Program. About 20 percent of the employee population will receive the survey sometime during April or May before refresher training begins. You are urged to return the completed survey should you receive one.

From the program's inception through year-end 1997, about 600 calls were received requesting guidance on business ethics issues. About 247 cases required investigation. Of those, some 42 percent involved inaccurate reporting and recording of information. For example, hourly employees must accurately report their time in and out of the office. Exempt employees must accurately record vacation and sick days and have a clear understanding with their management about expectations regarding comp time.

Employees who need a copy of the Compass booklet should ask their management. Copies are available from the Stock Room.



Questions About Compass?

Contact any of the following:

- Compliance Officer, Mary Wood Bridgman 904-905-8744
- Compass Program Helpline 1-800-477-3736, Ext. 56300
- Immediate supervisor or any member of management
- Human Resources Employee Relations 904-791-8169
- Legal Affairs 904-905-8720

Did you know...

Florida Combined Life offers BCBSF employees the opportunity to purchase up to three times their salary in supplemental life coverages. Contact the BCBSF benefits department for further details.

FCL looks to the future

Continued from page 1.

FCL also markets individual products that customers can purchase directly. The products include term insurance, primarily for 18 – 50 year olds; modified benefit whole life, a life insurance product aimed at the 50+ market, and long-term care insurance to help with the cost of nursing home and home health care.

Future growth

FCL has set a goal of \$100 million in premiums, a target the company hopes to achieve sometime in the near future by pursuing new opportunities in dental, vision and long-term care, as well as the group and voluntary family of products.